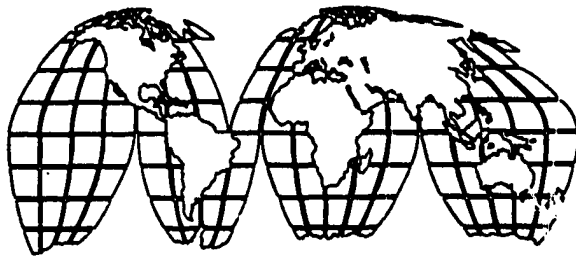


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**Experience with Guaranty Authorities:
A Brief Overview of the Issues**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Experience with Guaranty Authorities:

A Brief Overview of the Issues

by

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**Agency for International Development
Center for Development Information and Evaluation**

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The views and interpretations expressed in this report are those of the authors and are not necessarily those of the Agency for International Development.

Experience with Guaranty Authorities

A Brief Overview of the Issues

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The concept paper, "Agency-Wide Use of Guaranty Authority," proposes to expand A.I.D.'s authority to use guaranties to support development activities. In brief, this proposal aims to expand the Loan Guaranty Authority of the Private Sector Revolving Fund (PSRF), which was enacted by Congress in 1988, and to expand the access of this program to A.I.D. missions. Under the existing program, A.I.D. issues loan guaranties to private financial institutions operating in developing countries, primarily to expand their small business lending. The PRE Bureau has been able to place its full 1989 authority of \$30 million in guarantee commitments and loans, and Congress authorized a Revolving Fund program totalling almost \$50 million for FY 1990. The current proposal aims to gain budget approval for \$300 million of "Ominbus" guaranty authority in FY 1992 and approval to seek the requisite legislation.

Consideration of the expansion of A.I.D.'s guaranty authority necessarily raises the question -- what has been the experience of A.I.D. and other donors with such guaranty programs? This brief paper aims to discuss several key issues arising from evaluations and reviews of guaranty programs, and to mention implications in view of the proposed expansion. It does not attempt to be a comprehensive review of donors' experience with guaranty authorities.

Reviewing A.I.D.'s experience with guaranty programs is important. First, several reviews of credit guaranty schemes conclude that that guarantee programs are an important financial instrument to compensate for market imperfections in developing countries. Second, disappointment with the performance of development banks has increased interest in alternative financing mechanisms, and the loan guaranties by private commercial financial institutions are viewed by many as among the most promising (Levitsky and Prasad; Rhyne; Management Systems, International).

Still, assessing the experience of A.I.D.'s loan guarantee program is a challenge. One reason is that the existing Loan Guarantee Authority program has been in place for too short a period of time to make a fully considered judgement. While the Revolving Fund has been in operation since 1983, Congress enacted the current guarantee authority only in 1988. One important indicator of performance for a guaranty program is loss rates, but accurate indications of loss rates from such guarantees can usually be determined only after five years of operation (Levitsky and Prasad:14). Another reason is that the literature on loan guaranty programs in developing countries is sparse at best.

Despite these limitations, this paper will briefly discuss two key questions concerning the performance of these loan guaranty programs.

1. Have loan guaranty programs effectively addressed capital market constraints in imperfect financial markets ?
2. Have loan guaranty programs lowered the risks and costs of serving a marginal client group or providing a key service ?

This paper will draw principally on the experience of two types of loan guaranty programs. One form of guaranty, which is the most prevalent under A.I.D.'s current guaranty authority, are loan guaranties provided to private intermediate financial institutions. A second form of guaranty, which is more experimental, are guaranties provided for project finance, a mechanism to secure financing for a capital investment project. This distinction parallels the two principal categories for guaranties, identified in the concept paper: financial markets and project finance.

1. Capital Market Constraints: Have loan guarantee programs effectively addressed funding constraints in imperfect financial markets ?

One of the premises of loan guaranty programs is that they leverage financial resources beyond that which can be generated by the existing commercial banking system. Several reviews of these programs serving small businesses have found that it is difficult to demonstrate that guaranty schemes have resulted in additional credit for the target population (Levitsky and Prasad; Management Systems International). One review of case studies from the Private Sector Bureau's Revolving Loan Fund concluded that in three of six cases, these projects did increase the volume of loans available from commercial financial institutions (Rhyne).

Several risks appear to be associated with the expansion of loan volume in the case study review. In all six cases, the effect of the expansion was not permanent, and only temporarily affected the local financial markets. In two cases, the action was rather a circumvention of intended government policy (e.g. interest rate policy), and in two others, external factors undermined the entire rationale for the program.

This review and others come to three important findings. First, the difficulty of identifying appropriate services and borrowers should not be underestimated. A poor selection of target group or services may not be able to achieve a significant effect on loan demand (Rhyne; Levitsky and Prasad; Management Systems International). Second, policy dialogue in

support of financial system reform may be more appropriate in some cases than loan guaranties (Rhyne; Levitsky and Prasad; Management Systems International). Three, projects successfully expanding the volume of loan resources have tended to incorporate a long term perspective into their design, such as demonstrating an innovative financial mechanism or strengthening the capacity of a financial intermediary (Management Systems International).

2. Have loan guaranty programs lowered the risks and costs of serving a marginal client group or providing a key service ?

Several reviews of loan guaranty programs undertaken by both A.I.D. and the World Bank conclude that these programs have lowered the risk and costs of serving small businesses. PRE Revolving Fund loan guaranty programs in several countries have resulted in changes in local commercial financial institutions' risk analyses and cost assessments.

A World Bank review of credit guaranty programs for small businesses concludes that "experience indicates that guaranty schemes tend to work best when the guaranties are given for creditworthy clients with good projects who are unable to obtain loans because they can not satisfy the lender requirement for collateral..."(Levitsky and Prasad:2). The World Bank review found that credibility can not be achieved solely by insisting on formal legal agreements as opposed to thorough financial analysis. This review of World Bank loan guaranty programs emphasized that each request for a guaranty should be reviewed and investigated independently.

Several project-specific evaluations emphasize the importance of adequate review at the initial stages of the guaranty agreement, as well as adequate monitoring over the life of the agreement. The most problematic case is a direct loan made to Antigua Shrimpery Limited, under the PRE Revolving Loan Fund. While the case is not a loan guaranty, the issues surrounding the initial design and monitoring are directly relevant to loan guaranties for project finance. This technically complex, capital intensive, costly, high risk project failed, and moreover, this failure complicated the financial situation of a local Bank of America affiliate. A Management Systems International (MSI) case study points out that the original project was inadequately designed from the start and suffered from insufficient A.I.D. involvement in its development and in monitoring its progress.

MSI concludes that direct loans to enterprises present special problems and opportunities for improving local capital markets. In terms of the risks, they tended to be more costly, riskier and required more A.I.D. staff time to develop and implement than projects with intermediate financial institutions. All cases reviewed "demonstrate clearly that successful direct loans rely heavily upon project management to maintain confidence of the investors during start-up." (MSI:24).

Implications

In view of this discussion of two issues, several implications of A.I.D.'s experience with loan guarantee program warrant mention.

One implication is that designing, developing, implementing, and monitoring loan guaranty programs with creditworthy clients involve considerable staff time. Even the initial phase of assessing the state of financial markets, and identifying appropriate services and borrowers requires time of both A.I.D. staff and contractors based in the field. This is particularly the case with loan guaranties for "project finance" activities. Moreover, while field based staff are critical to the process, A.I.D. mission staff may not have the capability to fully design these loan guaranty agreements. They will need substantial technical guidance from contractors in developing these agreements.

Second, local financial institutions are an integral part of the process of the loan guaranty program, and bringing about institutional change is a long term undertaking. The risk sharing agreement need to be adequate to ensure their participation. The evidence from reviews of other guaranty programs is not clear that a 50 percent guaranty is sufficient to ensure the participation of financial intermediaries in such guaranty programs. Moreover, financial institutions may not have sufficient institutional capacity to make permanent changes in their operating procedures easily. The use of loan guarantees requires additional technical assistance and training for these intermediaries to ensure the long term effect of the guaranty programs.

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ATTACHMENT A

Annette 14
This is the HIE review
sent by Janet to
Kathy [illegible] —
10/3/89. Jf —

Review of Evaluation Documentation
Housing Investment Guaranty Program

Prepared by: John P. Mason

Center for Development
Information and Evaluation

September 1989

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Summary of Key Findings from Review of Evaluation Documentation

An overall assessment of the Housing Investment Guaranty (HIG) Program impact on the shelter and community development sector would require a series of impact evaluations in a number of countries over a period of years. Such a series has not been carried out. This desk review of over 120 evaluation documents was limited by the nature of the available documents, these being mainly project evaluation summaries or audits. Thus, the review focused on individual projects, not on a program or programs, in a timeframe which does not permit any determination of impact over time. The review was made in the context of different types of projects occurring in a variety of countries at different levels of socioeconomic development. While that context complicated comparison from one project and country to the next, a useful analytic framework was derived.

The following summarizes the more important changes which the review found to have been effected under the HIG Program.

Economic Change Based on the documentation review, it is evident that the HIG program for the most part has had only marginal effect on the macro level of national social and economic development. In certain cases the HIG has played an important role in the policy reform process, including, for example, the privatization of low-income housing. This process has included promoting such principles as cost recovery, real (market) interest rates, and minimal design standards.

Financial Change The HIG role of supporting the shift of focus of savings and loan institutions (S&Ls) to low-income clients is evidenced in the evaluations. Equally, its part in promoting new financial institutions is seen to have been effective. Establishment of market interest rates by developing-country S&Ls represents an important step in the process of creating an affordable, low-income, cost-recoverable shelter program. However, evidence from several audits indicates that institutionalizing market rate interest financing has also been problematic for a number of countries.

Political/Legal Change The HIG Program, according to this review, has encountered difficulty in making its development influence felt in the political arena. This is perhaps with good reason, since it is there where the will of politicians and of the people loom large. That will is critical when it comes to such acts as removing housing subsidies or enforcing loan repayments. In only a few evaluations is it self-evident that political forces have openly aligned with housing authorities in supporting low-income, affordable, market-rate housing. In the legal arena, according to those evaluations where the subject was mentioned, the HIG Program has generated positive changes in the legal access of low-income families to land tenure, an essential step in any shelter loan program.

Sociocultural Change Based on the review of evaluations, the effect of the HIG program on sociocultural conditions is only clearly discernible at the project level. It is at this level where evaluations report on the role of beneficiaries in shelter and community development activities. Positive results include development of a self-help capacity of the poor to build and finance their own housing. Negative results consist of cases of beneficiaries who default or stop payment on their loans, either because they have the political support of the authorities to do so or because of a breakdown of the administrative capacity to collect payments.

Managerial/Administrative Change The HIG role in assisting governments to manage and administer low-income housing and community development is a critical one. According to the evaluations, results in institutional development are mixed. Such results represent a real dilemma, one which A.I.D. must begin to grapple with in order to effectively support sustainable shelter and community development finance and service institutions. The evaluations reviewed here clearly point to the need for A.I.D. support of the management and administration of low-income shelter programs. This, in turn, requires continuing attention to the need for cross-cultural understanding, as well as a highly labor intensive form of technical assistance.

Sectoral Change Evaluations indicate a significant positive effect of the HIG Program on the shelter and community development sector itself. The HIG Program role in supporting the creation of low-income service institutions for shelter development, for example, has been successful in many countries. On the negative side, some evaluations report a tendency in A.I.D. and host countries to treat the physical outputs of project design as if they were project purposes. In other words, the product, the house itself, is seen as more central than the process of organizational learning or building the capacity to generate and sustain development of low-income housing and community services. The lesson of organizational learning and institution-building capacity is one of the more important lessons to be learned from this review of evaluation documentation.

1. Evaluation Review

This desk review of evaluation documentation of the Housing Investment Guaranty (HIG) Program is based on over 120 documents located in the A.I.D. Development Information System. These documents are listed in Annex A. The review is an assessment of projects and is, by definition, not a program evaluation.

Documents reviewed include project evaluation summaries, special evaluations, project final reports, impact evaluations, audit reports, and selected non-A.I.D. evaluations. The review generated a consistent set of criteria, discussed below, which permitted a comparison of different kinds of shelter and community upgrading projects in developing countries representing several stages of socioeconomic development.

1.1 Evaluation Methodology and Framework for Analysis

The analytic framework for the review of evaluation documentation is shown in Figure 1 on the following page. The broad parameters of the framework include (a) the area of change and (b) level of change.

Area of change refers to that part of the shelter and community development delivery system which has been changed as a result of the HIG intervention. It is defined here as consisting of seven parts or conditions, listed as follows: economic, financial, political/legal, sociocultural, managerial/administrative, sector specific, and uncontrolled. These conditions are of a general nature because the projects reviewed are often quite different from one another and the countries in which the projects occur are at variable levels of socioeconomic development. Definition of these conditions will become clear in the context that they are used.

Level of change refers to the place along a continuum from macro to micro where the HIG intervention operates. More concretely, it consists of three levels, macro, mid, and micro. Macro signifies national socioeconomic conditions, among which are the country's economic and financial standing, including the part such standing plays in the country's relationship with the U.S. Mid denotes the institutional or program level where the HIG operates, including host country institutions and A.I.D. itself. Micro refers to the project level of activity, which embraces host country actors, beneficiaries, USAID and contractors.

Figure 1

Housing Investment Guaranty
Review of Evaluation Documentation: Analytic Framework

<u>Level of Change</u>	<u>Status</u> ¹	<u>Area of Change</u>						<u>Uncontrolled</u>
		<u>Economic</u>	<u>Financial</u>	<u>Political/ Legal</u>	<u>Socio- cultural</u>	<u>Managerial- Administrative</u>	<u>Sector Specific</u>	
MACRO country development (incl. U.S. Role)	A							
	C							
MID institutional/ program (incl. host Country institutions, A.I.D.)	A							
	C							
MICRO project Activity (incl. Host Country actors, beneficiaries interventions)	A							
	C							

¹Status: A = Achievement; C = Problem or Constraint

Status of the change is defined by the type of change--positive or negative--attributable to the HIG intervention. Achievements are denoted by the letter 'A.' Problems or constraints found in projects are denoted in that same figure by the letter 'C.'

The format for the review of evaluation documentation is the scheme presented in the previous figure. Each area of change is examined separately, first economic, then financial and so on, and, as well, for each of the three levels, macro, mid and micro. In following the format of the figure, findings for each area of change are presented in tabular form with an accompanying discussion.

2. Findings

2.1 Economic Change

Achievements of the HIG at the macro-economic level fall in such areas as employment, financial resource mobilization, and privatization of low-income housing. There is some evidence that HIG funds have been successfully used in some countries, exemplified by Portugal, in creating employment in the construction industry, thereby reducing unemployment (see Figure 2 on following page, which refers to country examples). At the same time, the use of these funds has stimulated an increase in resource mobilization, namely in the form of deposits, term borrowings, and bonds. A HIG loan to the Government of India is illustrative of such increased savings for the purpose of low-income housing. In such countries as Costa Rica and Zimbabwe, HIG-based programs have influenced a process by which low-income housing has become privatized.

Constraints and problems at the macro-economic level include the inability of a host country to repay the HIG loan, due to a number of possible factors addressed earlier in the main body of the report.

Positive results at the mid-level of economic change consist of the role of the HIG loan in establishing market price sales of low-income housing. El Salvador, among many other countries, is a case in point. Market rate sales of housing to low-income borrowers represent a fresh change from the norm of highly subsidized public housing schemes which so many developing countries have been politically motivated and "expected" to provide to their poor.

Getting such a process to work at the level of both the poor borrower and the elite lender, in terms of the attitudinal and behavioral changes required of each, is no small feat.

Figure 2

Shelter and Community Development Sector: Economic

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- Create employment in construction industry and thereby reduce unemployment (Portugal)
	A	-- Increase resource mobilization--deposits, term borrowings, bonds (India)
	A	-- Privatization of low-income housing (Costa Rica, Zimbabwe)

	C	-- Host country guaranteed loan repayment in arrears or default

Mid	A	-- Establishment of market price of low-income housing (El Salvador)
	C	-- Lack of counterpart funding for on-site infrastructure (Honduras)
	C	-- Indefinite subsidy requirement to ensure accessibility to low-income housing (Togo, Panama)

Micro	A	-- Employment and income generation through shelter and community upgrading projects (Honduras)
	C	-- None identified

*Status: A = Achievement; C = Problem or Constraint

At the micro-level, shelter and community upgrading projects are seen in some countries to generate significant increases in employment and income. No identification in the evaluations was made of constraints and problems at the micro-level, in part because economic change at that level is very difficult to measure.

Summary Conclusion: While the HIG Program has had only a marginal effect at the macro level of social and economic national development, it has in some cases been an important influence in effecting shelter policy reform.

2.2 Financial Change

Achievements by the HIG program at the macro financial level range from enhancing foreign exchange possibilities in the case of Portugal, for example, to a policy shift which alters savings and loan institutions' focus from traditionally middle and upper income housing to low-income, market rate housing loans, as in Paraguay. Conversely, a typical problem is the host country use of HIG funds to perpetuate old habits of lending at subsidized rates of interest. That makes it difficult to move the system onto a market rate basis, much less permit the borrower to recover its individual loans from beneficiaries in order to repay the loan to the commercial lender. Several Central American countries illustrate this problem. Another problem is use by the borrowing government of HIG funds for other than the loan's intended purpose. An example of this is use of such funds by the Government of Mauritania for normal budgetary support of government operations.

At the mid-level of change in financial conditions is the HIG's positive role in influencing the development of new institutions dedicated to low-income housing. The HIG program has been successful in this on a worldwide basis, including such countries as Barbados, Panama, and India. Another example is the multiplier effect on the amount of savings beyond the loan used by beneficiaries for additional construction or repairs. A squatter upgrading program in Tunisia exemplifies this effect.

An example of a financial problem or constraint at the mid-level is a more or less mechanical one of converting currencies among several Central American countries in order to form a regional secondary mortgage market.

Project-level achievements in the financial domain include development of effective repayment and other cost recovery systems which reflect low-income beneficiaries' willingness and ability to repay their mortgage loans. While many examples exist of HIG influence in forming effective cost recovery systems, a documented case is Barbados. No problems or constraints at the micro-level were identified in the evaluations.

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Figure 3

Shelter and Community Development Sector: Financial

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- Affords possibility of foreign exchange (Portugal)
	A	-- Shift of Savings and Loans' priority to low-income housing at market rates (Paraguay)
	C	-- Problem of "getting interest rates right," i.e., institutionalizing market rate interest financing (Bolivia, El Salvador, Honduras, Panama)
	C	-- Misuse of HIG funds for unauthorized purposes, e.g., budgetary support (Mauritania)
Mid	A	-- Developing new financial institutions for low-income housing (Barbados, Bolivia, El Salvador, Honduras, India, Panama, Peru)
	A	-- Multiplier effect on amount of savings used for housing construction: beneficiaries use 'x'-times the amount of loan for additional construction or repairs (Tunisia)
	A	-- Housing development finance organization develops equity position in commercial housing finance institutions (India)
	C	-- Non-convertibility of currencies preclude formation of Central American secondary mortgage market (CABEI)
Micro	A	-- Development of effective repayment/cost recovery record with low-income borrowers (Barbados)
	C	-- None identified

*Status: A = Achievement; C = Problem or Constraint

Summary Conclusion: The positive role of the HIG Program in promoting the shift of S & Is' focus to low-income clients has been significant, but institutionalizing market rate interest financing has been problematic in a number of countries.

2.3 Political/Legal Change

Political and legal change at the macro-level influenced by the HIG program are limited in scope. To the degree that shelter policy is an aspect of political systems, evaluations show that the HIG has positively influenced the adoption of policies rooted in principles which underlie low-income housing. Some of these principles are, for example, cost recovery, affordability, and minimal planning and design standards. One particular problem experienced in the A.I.D. housing program is the absence of the political will on the part of certain governments, such as Liberia and Morocco, to commit to the principle of low-income shelter and community upgrading.

At the mid-level, positive change in the legal field includes development of procedures for acquisition of land for low-income residents and the legalization of land tenure for the same low-income inhabitants. Botswana, Honduras, and Thailand are examples of countries making such legal changes under auspices of the HIG program. Of a somewhat different type of influence, in this instance political, is the refusal of a government to accept the A.I.D. technical assistance package which usually accompanies the HIG loan. Bolivia is a case in point.

Some obvious areas of constraint in the political and legal areas have occurred at the project level. For example, selection of beneficiaries in Paraguay for a HIG-sponsored housing or upgrading program is an obvious abuse. The illegal subletting by beneficiaries of their homes to financially ineligible persons in HIG-supported programs in such countries as Lebanon and Zimbabwe is another clear abuse.

Summary Conclusion: While the political arena is somewhat out of the sphere of influence of the HIG Program, only a few evaluations show that political forces have openly aligned with housing authorities in supporting low-income, market rate, and affordable housing.

Figure 4

Shelter and Community Development Sector: Political/Legal

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- None identified
	C	-- Absence of political will of national authorities to commit to policy in support of low-income housing and community development (Liberia, Morocco)
Mid	A	-- Legal procedures for land acquisition, legalization of tenure, property rights (Botswana, Honduras, Thailand)
	A	-- Integration of community into surrounding urban region (Tunisia)
	A	-- Increased sense of permanence and security among residents (Tunisia)
	C	-- Host country refusal of A.I.D. technical assistance to accompany HIG (Bolivia)
Micro	A	-- None identified
	C	-- Beneficiaries selected according to political party affiliation (Paraguay)
	C	-- Illegal subletting by beneficiaries to ineligible recipients (Honduras, Kenya, Lebanon, Zimbabwe)

*Status: A = Achievement; C = Problem or Constraint

2.4 Sociocultural Change

No evaluation findings in the sociocultural arena were made at the macro and mid levels, since these levels were not a focus of the evaluations. Plentiful findings occur for the micro or project level, most of which bear on the role of beneficiaries in the project. Many achievements are recorded on the part played by beneficiaries in developing a self-help capacity to build and finance shelter and in community upgrading and home improvement. Sri Lanka and Zimbabwe are well-documented cases.

A more specialized form of self-help assessed in certain of the evaluations reviewed, is the participation of beneficiaries in the formation of low-income housing cooperatives, as exemplified by HIG-supported projects in Chile. An example of a more general measure of effect at the micro-level, derived from one of the few impact evaluations made of the HIG program, is an improved standard of living for residents in a Panamanian community upgrading program.

On the constraint side, certain evaluations point to the perennial problem of beneficiary willingness and ability to continue loan repayments. A few examples include Lebanon and Panama. Late payments or failure to repay a loan result from many different factors, including an absence of official support for the principles of cost recovery, ineffectiveness of project management and administration, and a lack of beneficiary participation in upfront design activities. For the last, absence of beneficiary participation in the design process has resulted in both inappropriate and unaffordable housing, as is the case for a HIG-supported project in Panama.

Summary Conclusion: Positive results reported in the evaluations include development of a self-help capacity of the poor to build and finance their own housing. Negative results include cases of beneficiaries defaulting or stopping payment on their building loans.

2.5 Managerial/Administrative Change

Few achievements or constraints were identified in the evaluations at the macro level of management and administration. Achievements at the macro level are perhaps more difficult to discern than problems, since the latter may show up at the project level in poor implementation. An example shared by several countries, including Honduras, Ivory Coast, Jamaica, Panama, and Togo, is one in which the lack of coordination among national level implementing agencies in organizing their low-income housing programs resulted in implementation failures in projects.

- /

Figure 5

Shelter and Community Development Sector: Sociocultural

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- None identified
	C	-- None identified
Mid	A	-- None identified
	C	-- None identified
Micro	A	-- Development of local self-help capacity as stimulus for low-income housing and community upgrading (Sri Lanka, Zimbabwe)
	A	-- Demonstrable role of low-income shelter cooperatives (Chile)
	A	-- Improved standard of living through community upgrading (Panama)
	C	-- Beneficiary willingness to continue loan repayments diminished or curtailed (Lebanon, Panama)
	C	-- Absence of beneficiary participation in design process, resulting in inappropriate, unaffordable housing (Panama)

*Status: A = Achievement; C = Problem or Constraint

Figure 6

Shelter and Community Development Sector:
Managerial/Administrative

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- None identified
	C	-- Lack of coordination among national-level implementing agencies in organizing low-income housing effort (Honduras, Ivory Coast, Jamaica, Panama, Togo)
Mid	A	-- None identified
	C	-- Withdrawal of A.I.D. technical assistance, diminishing likelihood of developing sustainable housing cooperatives (Paraguay)
Micro	A	-- Training for operational skills in such areas as design, planning, and site supervision; small loan and credit operations, socioeconomic surveys and analyses (Morocco, Sri Lanka Zimbabwe)
	C	-- Beneficiary selection based on wrong target group or lack of data (Bolivia, Lebanon)
	C	-- Inadequate host country staff, poor training of project personnel (Lebanon)
	C	-- Administrative inadequacies in loan approval process (Bolivia, El Salvador)
	C	-- Problem of performing median income test for beneficiaries (Peru), verification of beneficiary eligibility, and disbursement of building material loans (Botswana)

*Status: A = Achievement; C = Problem or Constraint

Similarly at the mid level, it is easier for evaluations to detect the constraints and problems than achievements. A case in point is the role of A.I.D. technical assistance in supporting host country low-income housing efforts. It has been found in some cases, with Paraguay as an example, that withdrawal of such assistance resulted in diminishing the likelihood that sustainable housing cooperatives would be created. As in most A.I.D. projects, there always seems to be a fine line between where assistance begins and sustainable projects leave off. It is a dilemma to which HIG projects are no less vulnerable than most other projects. HIG projects are in one sense put to more of a test, however, given the more compelling need to repay loans all along the line from the level of the beneficiary borrower to that of the U.S. commercial lender.

Achievements at the project level consist of effective training of host country personnel for operational skills in many areas of design and implementation of low-income shelter projects. In the technical domain, training in such areas as design, planning and site supervision has occurred, as well as in small loan and credit operations, and socioeconomic surveys and analyses. Morocco, Sri Lanka, and Zimbabwe are examples of such training.

Constraints and problems at the project level include faulty procedures for selecting beneficiaries, which as the cases of Bolivia and Lebanon show, sometimes result in focusing on an inappropriate income group. Other problems consist of administrative inadequacies in loan approval processes, such as in El Salvador. Many project implementation problems are related to inadequate host country staff and poor training of project personnel. This is the case for HIG-supported projects in Botswana and Peru.

Summary Conclusion: Evaluation results in the area of institutional development are mixed, suggestive of the need for A.I.D. to more effectively support sustainable low-income shelter and community development finance and service institutions.

2.6 Sector Specific Change

The evaluation review shows that the shelter and community development sector significantly reflects the effects of the HIG program at all three levels of change. At the macro level there is some evidence that the HIG has been instrumental in supporting the development of a national construction industry, examples being Chile and Portugal. Another area of program support at the national level is in the informal construction sector, which often comprises a large share of national shelter production. Bolivia and Zimbabwe are countries where A.I.D. has provided important support for the growth of that informal sector.

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Figure 7

Shelter and Community Development Sector: Sector Specific

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- Support of national construction industry generally (Chile, Portugal) and the informal construction sector specifically (Bolivia, Zimbabwe)
	A	-- Addition of housing units to the national housing stock, thereby alleviating the poor living conditions of low-income families (most countries)
	C	-- None identified
Mid	A	-- Creation of private, cooperatively-based institutions to promote and develop low-income housing (Paraguay)
	A	-- Provision of pilots for shelter and community upgrading which demonstrate a reduction in population density at household and neighborhood level (Tunisia) and a subsequent reduction in incidence of childhood waterborne disease (Honduras)
	C	-- Tendency to treat housing projects as if they constitute institution building (El Salvador, among many other countries)
	C	-- Treatment by project design of physical outputs as if they were project purposes (Panama)
	C	-- Design of planning and building standards at too high a level given cost, demand, and need (Barbados, Honduras, Lebanon)
	C	-- Failure to improve socioeconomic service delivery to low-income families (Thailand)

Sector Specific Area of Change (cont.)

- | | | |
|-------|---|---|
| Micro | A | -- Successful promotion of use of local construction materials (Sri Lanka) |
| | A | -- Expandable low-income houses successfully built (Kenya) |
| ----- | | |
| | C | -- Building materials shortages (Bolivia, Botswana) |
| | C | -- Absence of master plans and infrastructure designs (Portugal) |
| | C | -- Project overemphasis at expense of building host country institutions to replicate pilots (Panama) |

*Status: A = Achievement; C = Problem or Constraint

Related to construction industry growth is assistance rendered under the HIG to countries in adding to the national housing stock, thereby increasing the availability of decent housing to low-income families. Many of the HIG-supported projects reviewed in previous sections demonstrated capacity to produce new or improved low-income housing. Problematic or constraining effects at the macro level were not identified in the evaluations.

The evaluation review showed clearly that institution building in the low-income housing sector, a mid level point of change, is an area successfully influenced under the HIG. For example, the creation of a private, cooperatively-based institution to promote and develop low-income housing was successfully supported in Paraguay. The pilot shelter and community upgrading projects developed under the HIG are themselves integral to the institution building process. These pilots have successfully demonstrated a number of important developmental principles, including the following: the role of self-help in the financing and production of low-income housing; the cost recovery principle; minimal standards of design and construction; and affordability; among others. These same pilots, according to a large number of the evaluations reviewed, have also demonstrated specific improvements, including reduction in population density at household and neighborhood levels, in Tunisia, for example, and reduction in the incidence of childhood waterborne disease, as is the case in Honduras.

Since the shelter sector is the central arena of action for HIG-supported activities, it is there also where problems and constraints are most likely to appear. Thus, as several evaluations reported, there is tendency on the part of both host country and A.I.D. to treat housing projects as if they were the institution building process itself. El Salvador is just one example of this problem. Along the same lines, there is an equal tendency for both A.I.D. and host country housing authorities to consider the project design of physical outputs as if they were project purposes, as found by an impact evaluation of the HIG program in Panama. A resultant problem of this tendency is the suppression of the importance of organizational learning in building institutional capacity.

Micro level achievements in the sector, as reported in the evaluations, include such technical accomplishments as the promotion of local construction materials use, of which Sri Lanka is an example. The expansion of low-income house structures through self-help techniques is another achievement, as seen in Kenya. Problems or constraints at the micro level of the shelter sector are not uncommon, as purported by the evaluations. Examples of these are building material shortages in Bolivia and Botswana and the absence of master plans and infrastructure designs in Portugal. Some of these types of constraints are

"implementation" or management problems, while others are more purely a result of uncontrollable events, including politics, war, or disaster. It is to those, uncontrolled factors, that the last, short section is devoted.

Summary Conclusion: Many evaluations indicate a positive effect of the HIG Program in supporting the creation of low-income service institutions for shelter development. Others, however, report the tendency of both A.I.D. and host countries to treat housing production as more central to the development process than the organizational learning essential to institution building.

2.7 Uncontrolled Change

While most HIG-supported projects attempt to account for contingencies, there are simply some events that are unpredictable, as some evaluations indicated. The evaluation review pointed to such events as: labor unrest, as in Bolivia; fluctuation of the exchange rate to the disadvantage of the borrower, also Bolivia; inflation and rising costs of building materials and infrastructure, in Honduras; and increasing homelessness due to war, as in Lebanon. Occurrences such as these can have an extreme, often negative effect on project results.

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Figure 8

Shelter and Community Development Sector: Uncontrolled

<u>Level of Change</u>	<u>Status*</u>	<u>Area of Change</u>
Macro	A	-- None identified

	C	-- Labor unrest (Bolivia)
	C	-- Fluctuation of exchange rate to disadvantage of borrower (Bolivia)
	C	-- Inflation and rising costs of building materials and infrastructure (Honduras)
Mid & Micro	C	-- Increasing homeless due to war, famine

	A	-- None identified

	C	-- None identified

 *Status: A = Achievement; C = Problem or Constraint

COUNTRY

COCIC

TITLE

PROJ. NO. HCG/ENC

COUNTRY	COCIC	TITLE	PROJ. NO. HCG/ENC
	PD-AAQ-420	AID HOUSING GUARANTY PROGRAM - FINANCIAL MANAGEMENT AND	
	PD-AAK-162	LOW INCOME GROUPS NOT HELPED BY AGENCY FOR INTERNATIONAL	
	A-AAK-459	COOPERATIVE HOUSING IN LATIN AMERICA: A SUMMARY REPORT	
	PD-AAP-750	SAR MIGUEL HOUSING PROJECT (AUDIT REPORT)	511HG025
	PD-AAH-211-A1	HOUSING INVESTMENT GUARANTY PROJECT NICARAGUA	524HG02
	PD-AAH-222-A1	HOUSING INVESTMENT GUARANTY PROGRAM CENTRAL AMERICAN	596HG02
	PD-AAO-220-A1	HOUSING INVESTMENT GUARANTY	513HG06
	PD-AAP-232-A1	HOUSING INVESTMENT GUARANTY (AUDIT REPORT)	660HG01
	PD-AAG-059-A1	UMUJA ESTATE HOUSING GUARANTY PROJECT (AUDIT REPORT)	615HG03
	PD-AAH-156-A1	LOS PINOS PROJECT	511HG04
	PD-AAH-316-A1	AUDIT OF NATIONAL HOUSING CORPORATION OF KENYA (615-HG-	615HG04
	PD-AAH-315-A1	EVALUATION - JAMAICA: URBAN AND RURAL SHELTER IMPROVEMENT	532HG10
	PD-AAH-565-A1	HOUSING GUARANTY PANAMA - \$9 MILLION TO THE INSTITUTE D	525HG07
	PD-AAP-554-A1	REVIEW OF AID HOUSING GUARANTY PROGRAM	527HG05
			527HG08
			527HG09
			527HG0010
			527HG0011
	PD-AAI-315-A1	PARAGUAY HOUSING GUARANTEE PROGRAM	526HG01
	PD-AAL-002	Impact evaluation of housing guaranty programs in Panama	525HG08
			525HG09
			5138006
	PD-AAH-230	HOUSING INVESTMENT GUARANTY (AUDIT REPORT - A1)	
	PD-AAF-228	Private sector involvement in the Agency for International	
	C-AAF-040	Agency for International Development's housing investment	
	PD-AAF-614	Report on examination of the A.I.D. program in Kenya	
	PD-AAF-052	A.I.D.'s management of the housing guaranty program	
	PD-AAV-553	Evaluation of the A.I.D. role in the development of housing	
	PD-AAV-062	For-lynn assistance: the Solanda housing guaranty project	
	PD-AAH-348	Analysis del sistema mutualista del Ecuador en apoyo al	518HG07
	PD-AAH-186	Evaluacion de los ante-proyectos de ley sobre: sistema	
	PD-AAH-055	Review of A.I.D. housing guaranty program in Ecuador	
	PD-AAH-522	Final report: evaluation of the effectiveness of the housing	
	PD-AAJ-011	Shelter solutions for low income families in rural area	5110510
			511HG05
	PD-AAJ-072	Soluciones habitacionales para familias de bajos ingresos	5110510
			511HG05
	PD-AAJ-540	Bolivian savings and loan system: financial and administrative	
	PD-AAL-645	Rural home improvement loan program: savings and loan	
	PD-AAH-113-A	Shelter solutions for low income families in rural area	5110510
			511HG05
	PD-AAH-555	Private sector low cost shelter: evaluation of technical	5110567
	PD-AAH-555-A	Evaluation of technical assistance under project 511-05	5110567
	PD-AAQ-104-A	BOTSWANA HOUSING GUARANTY	633HG01
			6330092
	PD-AAQ-104-B:	BOTSWANA HOUSING GUARANTY	633HG01
			6330092
	PD-AAH-604-A1	BOTSWANA HOUSING GUARANTY PROGRAM	6330092
			633HG01
	PD-AAI-401-A1	HOUSING GUARANTY LOAN PROJECT - BROADHURST STAGE II, GA	633HG01
			6330092
	PD-AAL-226	Project completion report: housing investment guaranty	6330214
			633HG01
	PD-AAH-353	Gaborone West housing and facilities project	6330238
			83/87
			633HG02

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Botswana			XU-AAH-350-4	Report on a regular evaluation of Gaborone West housing	633HG02	83/81	
CAMEROUN			IO-LAK-416-A1	CAMEROON LOW INCOME HOUSING (4/4/79)	6310003	76/80	
CARIBBEAN REGIONAL			PO-AAH-146	OFFICE OF THE INSPECTOR GENERAL OF FOREIGN ASSISTANCE	5380002	79/80	
					5380001	72/80	
CARIBBEAN REGIONAL			PO-AAH-145	CARIBBEAN DEVELOPMENT BANK - LOAN NOS 538-L-001, 002, A	5380003	79/80	
					5380002	72/80	
					5380001	70/83	
CARIBBEAN REGIONAL			PO-AAH-150	SECONDARY MORTGAGE MARKET: FINAL REPORT AIO/FNMA CONSUL	5380002	72/80	
Chile			PO-AAH-551	Housing investment guaranty project: draft audit report	513HG06	/	
Chile			PO-AAH-543	Housing guaranty project: draft audit report	513HG06	/	
Chile			PO-AAH-404	Chile low income cooperative housing program	513HG06	/	
Costa Rica			PO-AAH-446	Private sector low cost shelter	515HG07	/	
El Salvador			PO-AAH-212	Housing guarantee program (marginal community improvement)	515HG06	/	
El Salvador			PO-AAU-023	El Salvador housing guaranty 006 A and B for marginal c	5190251	80/84	
El Salvador			XO-AAU-023-A	Evaluation of El Salvador 519-HG-006 A and B	519HG06	/	
					5190251	80/84	
Honduras			PO-AAI-612	Urban upgrading	519HG06	/	
Honduras			PO-AAG-45E	Shelter for the urban poor	5190251	80/84	
HONDURAS			PO-AAF-278-A1	HOUSING BANK	5220155	80/86	
HONDURAS			PO-AAF-241-A1	SAVINGS AND LOAN SYSTEM	522HG05	/	
Honduras			PO-AAF-148	Urban upgrading	5220155	80/86	
Honduras			PO-AAS-586	Audit of Honduras housing guaranty program	522HG06	/	
					522HG05	/	
					522HG06	/	
					522HG07	/	
Honduras			PO-AAU-423	Urban upgrading	5220155	80/86	
Honduras			XO-AAU-423-A	Sumario de la evaluacion del proyecto 522-HG-006 : mejo	522HG06	/	
Honduras			XO-AAU-422-B	Evaluacion del proyecto 522-HG-006 : mejoramiento de ba	522HG06	/	
HOUSING			PO-AAL-726	Final report and evaluation of the Panama OPG	9120005	72/82	
HOUSING			PO-AAL-844	Home improvement program: Peru	912HG09	/	
HOUSING			PO-AAH-244-A1	FINAL REPORT - TEGUCIGALPA, HONDURAS - AID/OTR-G-1583 -	9120005	72/82	
India			PO-AAR-526	Housing Development Finance Corporation of India : eval	9120006	77/81	
Ivory Coast			PO-AAJ-626	Ivory Coast urban development project, mid-project eval	386HG01	/	
Ivory Coast			XO-AAJ-622-A	Evaluation of technical assistance to the Ministry of P	681HG03	/	
Ivory Coast			XO-AAJ-622-B	Ivory Coast urban sector evaluation of BNEC TA	681HG03	/	
Ivory Coast			PO-AAT-661	Case study evaluation : A.I.C. shelter program in the	681HG01	/	
					681HG02	/	
Ivory Coast			PO-AAV-067	Evaluation : project USAID 681-HG-004 (Ivory Coast)	681HG03	/	
Jamaica			PO-AAH-121	Jamaica - urban and rural shelter improvement	681HG04	/	
Jamaica			XO-AAR-843-A	Evaluation : Jamaica - urban and rural shelter improve	532HG10	/	
Kenya			PO-AAH-811	Nairobi City Council housing guaranty (Umoja I)	532HG11	/	
Kenya			XO-AAH-504-A	Kenya : national housing corporation secondary cities	615HG03	/	
Kenya			PO-AAV-520	Evaluation of UMOJA II : an experimental housing projec	615HG05	/	
Lebanon			PO-AAJ-34E	Housing guaranty project	268HG01	/	
Lebanon			XO-AAJ-34E-A	Lebanon housing guaranty	268HG01	/	

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Mauritius				Audit of Mauritius shelter program no. 642-HG-001	6690146	78/84	/
Morocco				Morocco HG-001 : Ben M'Sik project : special evaluation	642HG01		/
					600HG01		/
				Progress report : Morocco HG-002	60R0156	00/84	/
					7401002	84/89	/
					600HG02		/
Other West Indies-Eastern Caribbean Reg				Barbados private initiatives in housing	538HG02		/
					5380081	82/87	/
Other West Indies-Eastern Caribbean Reg				Barbados private initiatives in housing	5380381	82/87	/
					538HG02		/
Panama				MUOVO CHORRILLO HOUSING COOPERATIVE	525HG08		/
Panama				MUOVO CHORRILLO HOUSING COOPERATIVE	525HG08		/
Panama				HOUSING INVESTMENT GUARANTY PROGRAM -- PANAMA	525HG08		/
Panama				Housing investment guaranty program - Panama, National	525HG07		/
Panama				Audit of A.I.D. - assisted shelter sector activities in	525HG10		/
					525HG11		/
Paraguay				Paraguay operational program grant	526HG01		/
					526HG02		/
Peru				HOUSING AND URBAN DEVELOPMENT	5270065	62/81	/
Peru				LOW INCOME HOUSING GUARANTY PROGRAM	527HG09		/
Peru				Disaster relief, rehabilitation and reconstruction prog	5270277	83/87	/
Portugal				Low income housing	1500003	75/79	/
PORTUGAL				EVALUATION OF AID SHELTER PROGRAMS IN PORTUGAL / LOW -	1500003	75/79	/
Reg Office Car America & Panama-HOCAP				Urban shelter improvement	596HG04		/
Reg Office Car America & Panama-HOCAP				CABET secondary mortgage market development	596HG05		/
					5960087		/
Senegal				Senegal Patte d'Oie : redrafting recommendations, spec	6850226	79/84	/
Senegal				Project assistance completion report	6850226	79/84	/
Senegal				Report on A.I.D. program : area development office, Dax	6850202	75/87	/
Senegal				Housing investment guaranty program : Patte d'Oie proj	6850226	79/84	/
Sri Lanka				Evaluation of JAI-HG-001 : first phase of housing guar	383HG01		/
				Evaluation & monitoring the million houses programme -	383HG02		/
TECHNICAL ASSISTANCE				Evaluation report, rural growth and service centers : t	9311135	78/90	/
TECHNICAL ASSISTANCE				Reporte evaluatorio, centros rurales de crecimiento y s	9311135	78/90	/
TECHNICAL ASSISTANCE				Evaluation of the third housing guaranty project in the	681HG03		/
					681HG05		/
Thailand				Final evaluation of the Thailand integrated improvement	9311176	88/86	/
Thailand					493HG03		/
Togo				Audit of USAID / Thailand's housing guaranty program	4930284		/
Togo				Focus low - income shelter	493HG03		/
Togo				Focus low income shelter technical assistance: evaluatio	6930213	78/83	/
Togo				FOCUS SHELTER SECTOR PLANNING	6930213	78/83	/
					6930213	78/87	/
Togo				Focus low income shelter technical assistance, 693-0213	9120007		/
Togo				Togo low - income shelter	6930213	78/83	/
Tunisia				Evaluation of the emergency housing reconstruction prog	6930213	78/83	/
					6640329	83/85	/
Tunisia				Emergency housing reconstruction, emergency housing rep	664HG04		/
					6640329A	83/85	/
					664HG04A		/
Tunisia				Tunisia -- low cost shelter program : Mellassine upgrad	664HG03H		/

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COUNTRY		CLIC				
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Zimbabwe		20-ARR-119-A	Project 113-110-01, Zimbabwe shelter project : Interim	613HG01	/	/
Zimbabwe		20-ARR-116	Audit of the Zimbabwe shelter project, project no. 613-	6130205	613HG01	82/87
Zimbabwe		20-ARR-118	Zimbabwe low - cost shelter loan -- Zimbabwe low - cost	613HG01	/	/
Zimbabwe		20-ARR-118-A	Final evaluation : Zimbabwe low - cost shelter program	6130205	613HG01B	82/87
				6130205	613HG01B	82/87